

**CHARTER TOWNSHIP
OF
ROYAL OAK**

ANNUAL REPORT

DECEMBER 31, 2006

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Charter Township of Royal Oak	County Oakland
Fiscal Year End December 31, 2006	Opinion Date June 30, 2007	Date Audit Report Submitted to State July 20, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

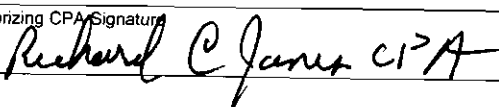
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☒ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) R C Jones & CO		Telephone Number 734-284-9779		
Street Address 20500 Eureka Rd Ste 101		City Taylor	State Mi	Zip 48180
Authorizing CPA Signature 		Printed Name Richard C Jones		License Number 6925

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Independent Auditor's Report

To the Charter Township Board
Charter Township of Royal Oak
21131 Garden Lane, 2nd Floor
Ferndale, MI 48220

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Charter Township of Royal Oak as of and for the year then ended December 31, 2006 which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards, generally accepted in the United States of America and the standards applicable to financial audits contained in Government Audits Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Charter Township of Royal Oak as of December 31, 2006 and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted accounting in the United States of America.

The administration's discussion, analysis and budgetary comparison information on pages 3 through 10 and pages 33 through 49 are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Charter Township of Royal Oak's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects in the relation to the basic financial statements taken as a whole.

R C Jones & Co.
June 30, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Charter Township of Royal Oak's financial performance provides an overview of the Township's financial activities for the fiscal year ended December 31, 2006. Please read it in conjunction with the Township's financial statements.

FINANCIAL HIGHLIGHTS

- The Township's net assets decreased by \$46,675. The governmental net assets decreased by \$403,746 and the business-type net assets increased by \$197,511.
- Of the \$1,791,084 reported in net assets, \$584,791 may be used to meet the ongoing obligations to citizens and creditors (unrestricted net assets).
- At the end of the fiscal year, the Township's governmental funds reported a combined ending fund balance of \$726,367, a decrease of \$403,746 from the previous year. Of this fund balance, approximately 100% is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, the unreserved undesignated fund balance for the General Fund was \$201,983

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components:

1. Government-wide financial statements.
2. Fund financial statements.
3. Notes to the financial statements.

The financial statement's focus is on both the Township as a whole (government-wide) and on the major individual funds. Both perspectives (government-wide and major fund) allow users to address relevant questions, broaden a basis for comparison (interpreted or intergovernmental) and enhance the Township's accountability. This report also contains supplementary information in addition to the basic financial statements which further explains and supports the information presented in these statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances. The Statement of Net Assets and the Statement of Activities are designed to be corporate-like in that all the governmental and business-type activities are consolidated into columns which add to a total for the Primary Government. These statements should help the reader to answer the question: Is the Township, as a whole, better off or worse off as a result of this year's activities. These statements include all non-fiduciary assets and liabilities using the accrual basis of accounting. The current year's revenues and expenses are recognized regardless of when cash is received or paid.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

The focus of the Statement of Net Assets is designed to be similar to the bottom line results for the Township and its governmental and business-type activities. This statement combines and consolidates governmental funds' current financial resources (short-term spendable resources) with capital assets and long-term obligations (total economic resources). This statement presents all of the Township's assets and liabilities, with the difference between the two reported as "net assets." Over time, increases and decreases in net assets may indicate whether the Township's financial position is improving or deteriorating. However, in order to assess the overall health of the Township, non-financial factors such as the Township's property tax base and condition of the Township's infrastructure may also need to be considered.

The Statement of Activities is focused on both the gross and net cost of the various activities (governmental, business-type, and component unit) which are supported by the Township's general tax and other revenues. This presentation is intended to summarize and simplify the user's analysis of the cost of the various governmental services and/or the subsidy to various business-type activities and/or component units. This statement shows how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the underlying events occur, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both statements report two activities:

1. *Governmental Activities:* Most of the Township's basic services (i.e., police, fire, public works, parks, etc) are reported under this category. Taxes and intergovernmental revenues generally fund these services. The Township's governmental activities include general government, police, fire, building and safety, public works, recreation and culture, library, community enrichment and development, road maintenance and repair and tax refund.
2. *Business-Type Activities:* The Township charges fees to customers to help cover all or most of the cost of certain services it provides. The Township operates one business-type activity that reflects private sector type operations: Water and Sewer service.

FUND FINANCIAL STATEMENTS

Traditional users of governmental financial statements will find the fund financial statements presentation more familiar. These statements provide more detailed information about the Township's most significant funds (Major Funds), not the Township as a whole. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the Township uses to maintain control over resources that have been segregated for specific activities or objectives. In addition to major funds, the Township presents individual fund data for non-major funds in the supplementary information section. All of the funds of the Township can be divided in three categories: governmental, proprietary, and fiduciary. Each category uses different accounting approaches.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

Governmental Funds:

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental fund statements are presented on a modified accrual basis, which focuses on the near-term sources and use of available resources. This is the manner in which the budget is typically developed. The Township establishes Funds for various purposes, and the Fund Financial Statements allow the demonstration of sources and uses and/or budgetary compliance associated therewith. Governmental Funds include the General Fund, special revenue funds, capital project funds, and debt service funds.

The focus of governmental funds (current financial resources) is narrower than that of the government-wide financial statements (total economic resources). Therefore, the reader may better understand the long-term impact of the Township's near-term financing decision by comparing information presented for governmental funds with the information presented for the governmental activities in the government-wide financial statements. The governmental funds' Balance Sheet, Statement of Revenues, Expenditures, and Changes in Fund Balance provide a reconciliation to facilitate this comparison.

Proprietary funds are used to account for services provided by the Township where the Township charges customers (whether external or internal) for the services it provides. These funds use accrual accounting; the same method used by private sector businesses. The Township maintains one type of proprietary fund. The enterprise fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The Township uses enterprise funds to account for its Water and Sewer service.

Fiduciary Funds:

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. While these funds represent trust responsibilities of the Township, these assets are restricted in purpose and do not represent discretionary assets of the Township. Therefore, these assets are not reflected in the government-wide financial statements. The Township acts as a trustee or fiduciary for its employee deferred compensation plan. It is a trustee/agent for the other governmental units for which it collects tax payments. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The Township's fiduciary activities are reported in separate Statements of Fiduciary Net Assets. These funds are reported using accrual accounting.

NOTES TO BASIC FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

ADDITIONAL REQUIRED SUPPLEMENTARY INFORMATION

Following the basic financial statements is additional required supplementary information that further explains and supports the information in the financial statements. The required supplementary information includes budgetary comparison schedules.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

NON-MAJOR GOVERNMENTAL FUNDS

Following the required supplementary information is combining financial statements for non-major governmental funds. These funds are added together and presented in a single column in the basic financial statements, but are not reported individually, as with major funds, on the governmental fund financial statements.

FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the Township's case, assets exceeded its liabilities at the end of the fiscal year by \$1,837,759. However, \$425,026 or 23.13.% of the Township's net assets represents its investment in capital assets (e.g., land, roads, storm sewers, water and sewer systems, building, and equipment) less any related debt used to acquire or construct these assets that is still outstanding. The Township uses these capital assets to provide essential services to citizens; therefore, these assets are not available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources because the capital assets themselves cannot be used to liquidate these liabilities

TOWNSHIP OF ROYAL OAK'S NET ASSETS

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Current and Other Assets	\$ 2,479,338	\$ 797,921	\$ 3,277,259
Capital Assets, Net of Accumulated Depreciation	<u>1,537,104</u>		<u>1,537,104</u>
Total Assets	4,016,442	<u>797,921</u>	4,814,363
Current Liabilities	1,959,547		1,959,547
Long-term Liabilities	<u>1,063,732</u>		<u>1,063,732</u>
Total Liabilities	3,023,279		3,023,279
Net Assets:			
Invested in Capital, Net of Related Debt	408,372		408,372
Restricted		797,921	797,921
Unrestricted	<u>584,791</u>		<u>584,791</u>
Total Net Assets	<u>\$ 993,163</u>	<u>\$ 797,921</u>	<u>\$ 1,791,084</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Except for the \$408,372 invested in capital assets and the \$797,921 restricted, the Township may use the remaining balance of unrestricted net assets of \$584,791 to meet its ongoing obligations to citizens and creditors.

Further, the Township is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

TOWNSHIP OF ROYAL OAK'S CHANGE IN NET ASSETS

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Revenues:			
Program Revenues:			
Charges for Services	\$ 43,526	\$ 852,309	\$895,835
Operating Grants	105,112		105,112
General Revenues:			
Taxes and Special Assessments	1,451,150		1,451,150
State Shared	686,394		686,394
Assumption of Debt			
Other	684,206		684,206
Investment Earnings	<u>29,936</u>		<u>29,936</u>
Total Revenues	<u>3,000,324</u>	<u>852,309</u>	<u>3,852,633</u>
Expenses:			
General Government	1,090,181		1,090,181
Police	598,161		598,161
Fire	422,777		422,777
Building and Safety	30,274		30,274
Public Works	373,530		373,530
Recreation and Culture	357,483		357,530
Community Development	253,177		253,177
Interest on Long-Term Debt	10,771		10,771
Depreciation	108,156		108,156
Water and Sewer		<u>852,309</u>	<u>852,309</u>
Total Expenses	<u>3,244,510</u>	<u>852,309</u>	<u>4,073,570</u>
Increase in Net Assets	(244,186)	197,511	(46,675)
Net Assets, December 31, 2006	<u>1,237,349</u>	<u>600,410</u>	<u>1,837,759</u>
Net Assets, December 31, 2006	<u>\$ 993,163</u>	<u>\$797,921</u>	<u>\$1,791,084</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Governmental Activities:

Governmental activities decreased the Township's net assets by \$601,600, thereby accounting for 100% of the total decrease in the net assets of the Township. Key factors of this increase are as follows:

- Decrease in revenue because of the annexation.

Business-Type Activities:

Business-type activities increased the Township's net assets by \$197,511

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

As the Township completed the year, its governmental funds reported combined fund balances of \$ 726,367.

Of this total amount, \$ 726,367 (100%) was unreserved fund balance, which is available for appropriations for the general purpose of the funds.

General Fund:

The General Fund is the chief operating fund of the Township. At the end of the current fiscal year, the unreserved fund balance was \$201,983. Total fund balance decreased by \$338,649 during the fiscal year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets:

The Township investment in capital assets for its governmental activities as of December 31, 2006 amounts to \$1,537,104 (net of accumulated depreciation). This investment includes a broad range of capital assets, which are detailed in the table below. The total decrease in the Township's net investment in capital assets for the current fiscal year was \$16,654.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

NET CAPITAL ASSETS AT YEAR END
(In thousands of dollars)

	Governmental <u>2006</u>	Activities <u>2005</u>
Capital assets not depreciated:		
Land	\$ 240,000	\$ 240,000
Capital assets being depreciated:		
Computers	23,130	26,436
Equipment	16,600	22,505
Infrastructure	1,132,201	1,202,551
Landscaping Equipment	21	222
Office Furniture	8,866	15,987
Vehicles	<u>116,286</u>	<u>137,428</u>
Net Capital Assets	<u>\$ 1,537,104</u>	<u>\$ 1,645,129</u>

Long-Term Debt:

At the end of the fiscal year, the Township had total long-term bonds and notes outstanding of \$1,349,910.

OUTSTANDING DEBT AT YEAR END

	Governmental <u>Activities</u>
General Obligation Bonds (Backed by the Township)	\$ 1,128,732
Judgments Payable	111,299
Notes Payable	<u>109,879</u>
	<u>\$1,349,910</u>

State statutes limit the amount of general obligation debt the Township can issue to 10% of its total state equalized assessed value of property. The Township's total general obligation debt of \$1,349,910 is significantly lower than the current state-imposed limit.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. Questions regarding any information provided in this report or request for additional financial information should be addressed to the following:

Charter Township of Royal Oak
21131 Gardenlane, 2nd Floor
Ferndale, MI 48220

CHARTER TOWNSHIP OF ROYAL OAK
STATEMENT OF NET ASSETS
December 31, 2006

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 509,045	\$ -	\$ 509,045
Accounts Receivable	175,781	797,921	973,702
Taxes Receivable	1,613,030	-	1,613,030
Due From Other Units	149,982		149,982
Inventories			-
Prepaid Expenditures	31,500		31,500
Total Current Assets	2,479,338	797,921	3,277,259
Noncurrent Assets			
Capital Assets	4,661,878	-	4,661,878
Less Accumulated Depreciation	(3,124,774)		(3,124,774)
Total Noncurrent Assets	1,537,104	-	1,537,104
Total Assets	\$ 4,016,442	\$ 797,921	\$ 4,814,363
LIABILITIES			
Current Liabilities			
Accounts Payables	\$ 56,842	\$ -	\$ 56,842
Due Other Units	-		-
Note Payable	109,879		109,879
Judgements Payable	111,299		111,299
Accrued Interest	10,398		10,398
Deferred Revenue	1,606,129		1,606,129
Bonds Payable, Due within One Year	65,000		65,000
Compensated Absences	-		-
Total Current Liabilities	1,959,547	-	1,959,547
Noncurrent Liabilities			
Bonds Payable	1,063,732	-	1,063,732
Compensated Absences	-		-
Total Noncurrent Liabilities	1,063,732	-	1,063,732
Total Liabilities	3,023,279	-	3,023,279
Net Assets			
Investment in Capital Assets	408,372	-	408,372
Restricted		797,921	797,921
Unrestricted	584,791		584,791
Total Net Assets	993,163	797,921	1,791,084
Total Liabilities and Net Assets	\$ 4,016,442	\$ 797,921	\$ 4,814,363

See accompanying notes and accountant's report

CHARTER TOWNSHIP OF ROYAL OAK
STATEMENT OF ACTIVITIES
December 31, 2006

Functions/Programs	Program Revenues			Governmental
	Expenses	Charges for Services	Operating Grants	Activities Net (Expense) Revenues and Changes in Net Assets
Governmental Activities				
General Governmental	\$ 1,090,181	\$ -	\$ -	\$(1,090,181)
Police	598,161	28,288		(569,873)
Fire	422,777			(422,777)
Building and Safety	30,274			(30,274)
Public Works	373,530			(373,530)
Recreation and Culture	357,483	15,238	3,934	(338,311)
Community Development	253,177		101,178	(151,999)
Interest on Long-Term Debt	10,771			(10,771)
Depreciation	108,156			(108,156)
	<u>3,244,510</u>	<u>43,526</u>	<u>105,112</u>	<u>(3,095,872)</u>
Business-Type Activities				
Water and Sewer	<u>654,798</u>	<u>852,309</u>	<u>-</u>	<u>197,511</u>
Total Primary Government	<u>\$ 3,899,308</u>	<u>\$ 895,835</u>	<u>\$ 105,112</u>	<u>\$(2,898,361)</u>

Taxes

Property Taxes, Levied for General Operations	1,320,317
Property Taxes, Levied for Debt Service	130,833
State Shared	686,394
Interest and Investment Earnings	29,936
Other	684,206
Total General Revenues	<u>2,851,686</u>

Change in Net Assets	(46,675)
Net Assets Beginning of Year	1,837,759
Net Assets End of Year	<u>\$ 1,791,084</u>

See accompanying notes and accountant's report

CHARTER TOWNSHIP OF ROYAL OAK
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2006

	General	Police	Fire	Debt Service Jacoboni	Other Nonmajor Governmental Funds	Totals
ASSETS						
Cash and Cash Equivalents	\$ 397,571	\$ 10,648	\$ 7,936	\$ -	\$ 92,890	\$ 509,045
Accounts Receivable	147,065	2,589	-	-	26,127	175,781
Due from Other Funds	174,256	147,847	137,761	4,786	317,488	782,138
Taxes Receivable - Current	151,121	504,560	432,480	123,337	394,631	1,606,129
Taxes Receivable - Delinquent	6,901		31,500			6,901
Prepaid Expenditures						31,500
Total Assets	\$ 876,914	\$ 665,644	\$ 609,677	\$ 128,123	\$ 831,136	\$ 3,111,494
LIABILITIES AND FUND BALANCE						
Liabilities						
Accounts Payables	\$ 16,468	\$ -	\$ -	\$ -	\$ 40,374	\$ 56,842
Accrued Interest						-
Note Payable					90,000	90,000
Deferred Revenue	151,121	504,560	432,480	123,337	394,631	1,606,129
Due to Other Governmental Units					-	-
Due to Other Funds	507,342	69,456			55,358	632,156
Total Liabilities	674,931	574,016	432,480	123,337	580,363	2,385,127
Fund Balance						
Reserved Debt Service					-	-
Unreserved and Undesignated	201,983	91,628	177,197	4,786	250,773	726,367
Total Fund Balance	201,983	91,628	177,197	4,786	250,773	726,367
Total Liabilities and Fund Balance	\$ 876,914	\$ 665,644	\$ 609,677	\$ 128,123	\$ 831,136	\$ 3,111,494
Total Governmental Fund Balances						\$ 726,367

Amounts reported for Governmental Activities in the Statement of Net Assets are different because capital assets used in Governmental Activities are not financial resources, and are not reported in the funds

Cost of Capital Assets \$ 4,661,878
Accumulated Depreciation (3,124,774)

Long-Term Liabilities are not due and payable in the current period and are reported in the fund

Oakland County Drain 1,537,104
Judgements Payable (1,128,732)
Notes Payable (111,299)
Accrued Interest (19,879)
Net Assets of Governmental Activities (10,398)

See accompanying notes and accountants report

CHARTER TOWNSHIP OF ROYAL OAK
STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
December 31, 2006

	General	Public Safety	Fire	Debt Service Jacoboni	Other Nonmajor Governmental Funds	Totals
Revenues						
Local Sources	\$ 634,367	\$ 531,206	\$ 442,758	\$ 135,619	\$ 410,782	\$ 2,154,732
State Sources	686,394				3,934	690,328
Federal Sources					101,178	101,178
Interdistrict Sources						
Total Revenues	1,320,761	531,206	442,758	135,619	515,894	2,946,238
Expenditures						
Office Staff and Expenses	267,487					267,487
Supporting Services	887,306					887,306
Senior Center	108,359					108,359
Public Safety		597,108	415,277		8,553	1,020,938
Public Works	186,498				158,772	345,270
Community Development	60,804				250,907	311,711
Recreation and Culture					249,124	249,124
Debt Service				130,833	28,956	159,789
Total Expenditures	1,510,454	597,108	415,277	130,833	696,312	3,349,984
Excess (Deficiency) of Revenues Over Expenditures	(189,693)	(65,902)	27,481	4,786	(180,418)	(403,746)
Other Financing Sources (Uses)						
Operating Transfers In					28,956	28,956
Proceeds from State Bond Loan						
Operating Transfers In/ Out	(148,956)	120,000				(28,956)
Total Other Financing Sources (Used)	(148,956)	120,000	-	-	28,956	-
Net Change in Fund Balances	(338,649)	54,098	27,481	4,786	(151,462)	(403,746)
Fund Balance Beginning of Year	540,632	37,530	149,716	-	402,235	1,130,113
Fund Balance End of Year	\$ 201,983	\$ 91,628	\$ 177,197	\$ 4,786	\$ 250,773	\$ 726,367

CHARTER TOWNSHIP OF ROYAL OAK
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES
AND CHANGE IN FUND BALANCE OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
December 31, 2006

Net Change in Fund Balance -Total Governmental Funds **\$ (403,746)**

Amounts reported for Governmental Activities in the Statement of
Activities are different because

Governmental Funds report Capital Outlays as Expenditures; in the Statement
of Activities, these costs are allocated over their estimated useful lives
as Depreciation

Depreciation Expense	\$ (108,156)	
Capital Outlay	-	
	-	(108,156)

Accrued Interest is recorded in the Statement of Activities when incurred; it is not reported in Governmental Funds until paid		876
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Repayment of Bond Principal is an Expenditure in the Governmental Fund, but not in the Statement of Activities (where it reduces Long-Term Debt)		148,142
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Increases in Compensated Absences are reported as Expenditures when Financial Resources are used in the Governmental Funds		-
---	--	---

Change in Net Assets of Governmental Activities		\$ (362,884)
--	--	---------------------

CHARTER TOWNSHIP OF ROYAL OAK
COMBINED STATEMENT OF REVENUE AND EXPENSES
PROPRIETARY FUND
For the Year Ended December 31, 2006

	Water	Sewer	Total
Revenue:			
Sewer Charges	\$ 273,615	\$ 544,854	\$ 818,469
Penalties	13,038	15,273	28,311
Permits	600	50	650
Other Revenue	1,826	3,053	4,879
Total Revenue	<u>289,079</u>	<u>563,230</u>	<u>852,309</u>
Operating Expenses:			
Cost of Services	135,663	320,566	456,229
Installation/Inspection Cost	3,769	924	4,693
Operation & Maintenance Cost	76,152	61,118	137,270
Customer Service	15,819	-	15,819
General & Administration	28,228	12,559	40,787
Meter Replacement Cost	-	-	-
Total Operating Expenses	<u>259,631</u>	<u>395,167</u>	<u>654,798</u>
Net Operating Income	29,448	168,063	197,511
Non-Operating Transactions			
Transfer to and from Reserves	<u>(5,777)</u>	<u>(36,341)</u>	<u>(42,118)</u>
Net Income	<u><u>\$ 23,671</u></u>	<u><u>\$ 131,722</u></u>	<u><u>\$ 155,393</u></u>

See accompanying notes and accountant's report

CHARTER TOWNSHIP OF ROYAL OAK
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended December 31, 2006

CASH FLOWS FROM OPERATING ACTIVITIES

Net Income	\$ 197,511
Change in Current Assets and Liabilities	
Increase in Accounts Receivable	(155,393)
Net Cash Provided by Operating Activities	\$ 42,118

CASH FLOWS FROM FINANCING ACTIVITIES

Transfer to Reserves from Restricted	(42,118)
Retained Earnings	
Net Cash Used by Financing Activities	\$ -

**NET INCREASE IN CASH AND
CASH EQUIVALENTS**

CASH AND CASH EQUIVALENTS

Beginning of Year

CASH AND CASH EQUIVALENTS

End of Year	\$ -
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CHARTER TOWNSHIP OF ROYAL OAK
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT

PRESENTATION - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest, which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: sales and use taxes, property taxes, sale of naming rights, intergovernmental revenues, and investment income.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

CHARTER TOWNSHIP OF ROYAL OAK
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

FUND TYPES AND MAJOR FUNDS

The Township reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

Police Fund - Special Revenue Fund used to levy and collect taxes for the operation of the Police department.

Fire Fund - Special Revenue Fund used to levy and collect taxes for the operation of the Fire department.

Downtown Development Authority (DDA) - DDA is a special revenue fund created to prevent deterioration, encourage historical preservation and promote economic growth within the downtown district.

In addition the Township reports on the following fund types:

Special Revenue Funds - The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds - Debt Service Funds are used to account for the annual payment of principal, interest and expenses in connection with certain long-term debt other than debt payable from the operation of an enterprise fund.

PROPRIETARY FUND:

Water and Sewer Fund - The Water and Sewer Fund is an Enterprise Fund. The Township operates one Enterprise Fund, which accounts for the operation of the Water and Sewer Systems. The fund is financed and operated in a manner similar to a private enterprise. The intent is that costs (expenses, including depreciation) of providing water and sewer services to the general public are recovered through user charges. The fund uses full accrual accounting based on Generally Accepted Accounting Principles (GAAP) and follows accounting and financial activities prescribed by the Financial Accounting and Standards Board (FASB) as long as it does not conflict with the

Governmental Accounting Standards Board (GASB) guidance.

FIDUCIARY FUNDS:

Agency Funds - Agency Funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, organizations, other governments or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

CHARTER TOWNSHIP OF ROYAL OAK
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

Bank Deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." Any residual balances outstanding between the governmental and business-type activities with fiduciary funds are reported in the government-wide financial statements as "due to other units."

Inventories and Prepaid Items - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$250 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	37 years
Equipment	5 to 7 years
Furniture	5 to 7 years
Vehicles	7 years
Infrastructure	50 years

Compensated Absences (Vacation and Sick Leave) - It is the government's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year-end.

CHARTER TOWNSHIP OF ROYAL OAK
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

Long-Term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the term of the bonds using the interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Property Taxes - All trade and property tax receivables are shown net of allowance for uncollectible amounts. Property taxes attach as an enforceable lien on property as of December 31 each year. Township taxes are levied and immediately due the following December 1 with final collection date March 31 without penalty. Taxes unpaid after March 31 are subject to interest, penalties and collection fees. Oakland County, Michigan (the "County") is responsible for the collection of real property taxes of the Township which are delinquent as of March 31 of each fiscal year. The County purchases from the Township all delinquent real property taxes from a tax payment fund established by the County. In return, the Township has assigned to the County all amounts payable to the Township from the taxpayers with respect to such delinquent real property taxes.

NOTE 2 - MATERIAL VIOLATIONS OF LEGAL PROVISIONS

Deficit Fund Balances

As of December 31, 2006, no fund has a material deficit.

Budget

State Law requires the adoption of a balanced budget for the General, Special Revenue and Debt Service Funds, as well as budget amendments as needed to prevent actual expenditures from exceeding the amount appropriated. The Township adopts their budget by department and the following is a list of departments that over expended the budget:

Several departments in the general fund over expended the budgeted amounts. See page 33. As shown on page 44, the special revenue funds did have expenditure in excess of the budgeted amount. No budget was adopted for the Debt Service funds.

CHARTER TOWNSHIP OF ROYAL OAK
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

NOTE 3 - BALANCE SHEET CASH AND INTEREST-BEARING DEPOSITS

At December 31, 2005, the carrying value of the Township's cash was \$977,852. Of the bank balance, \$405,246 was covered by federal depository insurance and \$572,606 was uninsured.

	<u>Carrying Amount</u>
General Fund	\$ 397,571
Special Revenue	59,670
Debt Service Funds	0
Downtown Development	51,804
Trust and Agency Fund	<u>175,737</u>
	684,782
Uninsured	<u>368,927</u>
 Total Insured and Collateralized Deposits	 <u>\$ 315,855</u>

NOTE 4 - INTERFUND RECEIVABLE AND PAYABLES

The amounts of interfund receivable and payables, including interfund loans, are as follows:

	<u>Receivable</u>	<u>Payable</u>
General	\$ 174,256	\$ 507,342
Police	147,847	69,456
Recreation	91,949	10,000
Street Lighting	87,861	
Disposal	71,788	17,753
Library	34,303	3,330
DDA	31,587	
Trust & Agency	114,953	264,934
Block Grant		24,275
Debt Service	4,786	
Fire	<u>137,761</u>	<u> </u>
 Total	 <u>\$ 897,090</u>	 <u>\$ 897,090</u>

**CHARTER TOWNSHIP OF ROYAL OAK
NOTES TO FINANCIAL STATEMENTS
December 31, 2006**

NOTE 5 - DOWNTOWN DEVELOPMENT AUTHORITY

In March 1992, the Township established a Downtown Development Authority for commercial development within the Township. The Authority was established under Public Act 197, of 1975, in which taxes recaptured will be used for commercial development.

NOTE 6 - GENERAL LONG-TERM DEBT

Notes Payable represents the amount due on the purchase of a fire truck. The installment note is a 7.5% interest rate and the monthly payment is \$2,115. The balance due on this note payable is \$9,088.

The Judgment Payable in the amount of \$111,299 is made up of two items. The first is a judgment entered against the Township in favor of Mr. Jacoboni. This judgment required the Township to levy millage, which would payoff the judgment in five years. The balance due on this judgment at December 31, 2006 is \$83,176. The second judgment was in favor of the U.S. Justice Department. The Township is required to pay back \$156,914 of previously received COPS Grant monies. The amount due is payable in installments of \$28,966 per year, including interest at 3%. The balance due on this judgment at December 31, 2006 is \$28,122.

The Township is part of the George W. Kuhn drainage District of Oakland County. Oakland County has five outstanding bond issues, which the township is responsible for a percentage of the principal and interest payments. The Township's total share of the bond issues at December 31, 2006 is \$1,128,732.

In April of 2001, the Township lost a decision in front of the Employment Relations Commission of the state of Michigan. Part of this judgment required the Township to pay the firefighters retroactive pay. As of December 31, 2006, the matter has been settled and there is no longer retroactive pay required.

The Judgment for Mr. Jacoboni, the judgment for the U.S. Justice Department, and the County drain balances are shown net of Oak Park's portion due to the annexation.

NOTE 7 - EMPLOYEE RETIREMENT SYSTEM

Plan Description

Royal Oak Township participates in an agent multi-employer defined benefit pension plan with the Municipal Employee Retirement System (MERS), administered by the State of Michigan.

The MERS was organized pursuant to Section 12a of Act No. 156, Public Acts of 1851 (MSA 5.333 (a); MCLA 46.12a) as amended. The MERS is regulated under Act No. 427 of the Public Acts of 1984, sections of which have been approved by the State Pension Commission.

CHARTER TOWNSHIP OF ROYAL OAK
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

Summary of Plan Provisions

The benefits summarized in this section are intended only as general information regarding the Michigan Municipal Employees Retirement System. They are not a substitute for Act

No. 220 of the Public Acts of 1996, as amended. If any conflict occurs between the information in this summary and Act No. 220 of the Public Acts of 1996, as amended, the provisions of Act No. 220 govern.

Eligibility for Retirement

Age 60 or 10 or more years of credited service (reduced to 8 or 6 years if either Benefit V-8 or V-6, respectively, is adopted).

Age 55 or 15 or more years of credited service (reduced benefit unless Benefit F55 is adopted).

Age 50 and 25 or more years of credited service (reduced benefit unless Benefit F50 is adopted).

Optional Retirement Programs (Unreduced Benefits)

F50 - Age 50 with a required period of credited service of either 25 or 30 years

F55 - Age 55 with a required period of credited service of 15, 20, 25 or 30 years

F (N) - Any age with a required period of credited service of either 20, 21, 22, 23, 24, 25, 26, 27, 28, 29 or 30 years

Mandatory Retirement

None.

Deferred Retirement

Termination of membership before age 60 other than by retirement or death, after 10 years of credited service (8 or 6 years if Benefit V-8 or V-6 is adopted). Retirement allowance begins upon application and satisfaction of the eligibility requirements for retirement. The deferred retirement allowance is computed in the same manner as a service retirement allowance, based on the benefit program in effect as of the date of termination of membership.

Rights to an allowance are forfeited if the member's accumulated contributions are withdrawn.

**CHARTER TOWNSHIP OF ROYAL OAK
NOTES TO FINANCIAL STATEMENTS
December 31, 2006**

Service Retirement Allowance

Credited service at time of termination of membership is multiplied by:

Benefit A	1.0% of a member's 5-years final average compensation (FACT). Benefit A may not be adopted after January 2, 1986.
Benefit B	Contact MERS office for details. Benefit B may not be adopted after January 2, 1986.
Benefit C New	1.3% of FAC.
Benefit C Old	Sum of 1.0% times the first \$4,200 of FAC, plus 1.5% times the portion of FAC over \$4,200. Benefit C Old may not be adopted after January 2, 1986.
Benefit C-1 New	1.5% of FAC.
Benefit C-1 Old	Sum of 1.2% times the First \$4,200 of FAC, plus 1.7% times the portion of FAC over \$4,200. Benefit C-1 Old may not be adopted after January 2, 1986.
Benefit B-1	1.7% of FAC.
Benefit C-2	2.0% of FAC, payable until attainment of the age at which unreduced Social Security benefits are available (currently age 65 for normal retirement, gradually increasing to age 67). Upon attainment of this age, the benefit reverts to the basic Benefit A, C New, C Old, C-1 New, C-1 Old or B-1.
Benefit B-2	2.0% of FAC.
Benefit B-3	2.25% of FAC, with a maximum benefit of 80% of FAC.
Benefit B-4	2.5% of FAC, with a maximum benefit of 80% of FAC.

Final Average Compensation

MERS plan benefits are based on a member's final average compensation (FAC). For this purpose, final average compensation means one-fifth of the aggregate amount of compensation paid a member during the period of 5 consecutive years of the member's credited service in which the aggregate compensation paid is highest, known as FAC-5. Adoption of Benefit FAC-3 results in final average compensation being averaged over 3 years, instead of 5 years.

The retirement allowance is reduced $\frac{1}{2}$ of 1% for each complete month that retirement precedes the age at which full normal retirement benefits are available. The reduction may be partially or fully waived by adopting Benefit F55 and/or F50 and/or F(N).

CHARTER TOWNSHIP OF ROYAL OAK
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

Disability Retirement Allowance

The plan provides for coverage upon total and permanent disability while employed by a participating municipality and after meeting the vesting requirement of the benefit program. The service requirement is waived if the disability is due to service-connected causes.

The allowance is computed in the same manner as a service retirement allowance, except that the reduction for retirement before age 60 is not applied.

If disability is due to service-connected causes, the amount of the retirement allowance shall not be less than 25% of the member's final average compensation.

Adoption of optional Benefit Program D-2 will provide a retirement allowance for a service-connected disability that is the greater of:

- (i) 25% of the member's final average compensation; or
- (ii) 10 years of credited service in addition to the member's actual period of service provided the total years of service do not exceed the greater of 30 years or the member's actual period of service.

Non-Duty Death Allowance

If a member or vested former member with the minimum years of service required to be vested dies before retirement, a monthly survivor allowance may be payable.

If a member is married, the spouse is the automatic beneficiary unless the spouse, in writing, declines a benefit in favor of another named beneficiary.

A contingent survivor beneficiary (named in an Option II Contingent Beneficiary Designation form filed with MERS) will receive a retirement allowance computed in the same manner as a service retirement allowance, but reduced to reflect an Option II (100% joint and survivor) election. The reduction for retirement before age 60 is not applied.

If there is no named beneficiary and the member leaves a spouse, the spouse will receive a survivor allowance. Payment of a retirement allowance to the surviving spouse of a deceased member commences immediately. Payment of a retirement allowance to the surviving spouse of a deceased vested former member commences on the date the member would have first satisfied eligibility for retirement for an unreduced service retirement allowance. The amount of a surviving spouse's retirement allowance shall be 85% of the deceased member's or deceased vested former member's accrued retirement allowance computed in the same manner as a service retirement allowance, based on service and final average compensation at time of death.

CHARTER TOWNSHIP OF ROYAL OAK
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

If there is no named beneficiary and no retirement allowance being paid to a surviving spouse, unmarried children under age 21 will be paid an equal share of 50% of the deceased member's or deceased vested former member's accrued retirement allowance. The reduction for retirement before age 60 is not applied.

If no retirement allowance becomes payable at death, the member's accumulated contributions are paid to the beneficiary.

Duty-Connected Death

A duty death allowance computed in the same manner as a non-duty death allowance may be payable to a spouse or children if death occurs as a result of performance of duty with a participating municipality. The vesting requirement is waived, and the minimum benefit is 25% of the deceased member's final average compensation.

Adoption of optional Benefit Program D-2 will provide a retirement allowance for a service-connected death that is the greater of:

- (i) 25% of the member's final average compensation; or
- (ii) 10 years of credited service in addition to the member's actual period of service provided the total years of service do not exceed the greater of 30 years or the member's actual period of service.

Member Contributions

Each member contributes a percent of annual compensation, as selected by the municipality. Any percentage from 0% to 10% (in 0.1% increments) may be selected. A 3%/5% contribution program was available prior to 1985 and may be continued, but not adopted after 1984. Under this program the member contributes 3% of the first \$4,200 of annual compensation and 5% of portions over \$4,200.

If a member leaves the employment of the municipality, or dies, without a retirement allowance or other benefit payable on his account, the member's accumulated contributions plus interest (at a rate determined by MERS) are refunded with spousal consent, to the member, if living, or to the member's surviving spouse, if any or to a named beneficiary (after spousal consent, if applicable).

Post-Retirement Adjustments

Benefit E – provides a one-time benefit increase to present to retirants and beneficiaries. The amount of the increase is equal to a fixed percentage of the present benefit or a fixed dollar amount times the number of years since the later of retirement or the date specified in the resolution. Benefit E may be readopted from time to time.

CHARTER TOWNSHIP OF ROYAL OAK
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

Benefit E-1 - provides automatic 2.5% annual non-compounded benefit increases to persons (and their beneficiaries) retired before the effective date of Benefit E-1. Increases are limited to increases in the consumer price index.

Benefit E-2 - provides automatic 2.5% annual non-compounded benefit increases to persons (and their beneficiaries) retired on or after the effective date of Benefit E-2. Increases are limited to increases in the consumer price index.

Death-After-Retirement Surviving Spouse Benefit

A retiring member electing form of payment SL (straight life retirement allowance) is normally paid a lifetime retirement allowance, with payments terminating at death. The retiring member could provide benefits to a surviving spouse by electing Option II (100% continuation to beneficiary) or Option II-A (75% continuation to beneficiary) or Option III (50% continuation to beneficiary). A surviving spouse is automatically the beneficiary to an Option II, IIA or III allowance unless the spouse, in writing, relinquishes the benefit to the member electing a straight life allowance or to another named beneficiary. Electing these alternate forms of payment would lower the retiring member's retirement allowance.

If Benefit Program RS50% is adopted, a member retiring on or after the effective date of Benefit RS50% may elect form of payment SL and still provide a 50% survivor benefit to the member's spouse. To be eligible for a surviving spouse benefit the retiring member and spouse must have been married to each other both at the time of death and during the full one year period just before retirement.

GASB 25 and GASB 27 Information

The annual report is available at the Township Hall.

NOTE 10 - IMPLEMENTATION OF THE LOCAL GOVERNMENT FISCAL RESPONSIBILITY ACT

On March 22, 1989, the State Treasurer implemented the preliminary review provisions of the Local Government Fiscal Responsibility Act. On April 18, 1989, the State Treasurer made his report to the Governor, finding that a serious financial problem may exist in the Township. On July 14, 1989, the Governor appointed a review team for the Township. On September 14, 1989, the Township entered a Consent Agreement with the review team.

That agreement calls for a Financial Manager with specified duties including the development of a financial plan.

On June 21, 1990, the Township Board adopted the financial plan, which was approved by the Department of Treasury in May 1990. Certain major provisions of the plan have not been implemented as of the date of the auditor's report.

CHARTER TOWNSHIP OF ROYAL OAK
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

NOTE 11 - COMMUNITY DEVELOPMENT BLOCK GRANT

The Township receives an allocation of funds from the Federal Government under the Community Development Block Grant. The funds are dispersed from the Federal Government to Oakland County. Oakland County in turn monitors and disperses these funds on a cost reimbursement basis to individual vendors or contractors. The purpose of this grant is to enforce Township ordinances, condemnation/demolition, disposition, public services, planning and development, and contingencies. The Township's allocation for 2006 amounted to \$101,178 which is below the requirements of the \$300,000 Single Audit Act.

NOTE 12 - DEFERRED COMPENSATION

The Township does not participate in a deferred compensation plan. However, the employees of the Township have elected to participate in their own plan through payroll deductions.

NOTE 13 - POST-EMPLOYMENT BENEFITS

The Township provides health care benefits to retirees. The benefits are paid monthly from the General Fund. The total cost to the Township for health care benefits for the year ended December 31, 2006 was \$196,195.

NOTE 14 – OTHER MATTERS

During the year part of the Township was annexed by the Township of Oak Park. The Township and the Township of Oak Park settled the division of assets and liabilities relating to this annexation.

NOTE 15 – TAXES RECEIVABLE AND DEFERRED REVENUE

There is \$1,606,129 of delinquent taxes as of December 31, 2006. The Township records deferred revenue for property taxes billed as of December 1 that are to be used in the next year's budget. Taxes receivable and deferred revenues represents the tax levy as of December 1, 2006 that will be used for the 2007 budget.

CHARTER TOWNSHIP OF ROYAL OAK
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

NOTE 16- CAPITAL ASSETS

The Township investment in capital assets for its governmental activities as of December 31, 2006 amounts to \$1,537,104 (net of accumulated depreciation). This investment includes a broad range of capital assets, which are detailed in the table below. The total decrease in the Township's net investment in capital assets for the current fiscal year was \$108,025.

NOTE 17- HOUSING COMMISSION

The activities of the Royal Oak Township Housing Commission are not included in these financial statements. The activities of the Commission for the fiscal year ended March 31, 2006 are reported in a separate report.

CHARTER TOWNSHIP OF ROYAL OAK
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended December 31, 2006

	Budgeted Amounts		Actual Budgetary Basis Actual	Favorable (Unfavorable) Final Budget
	Original	Final		
Revenues				
Local Sources	\$ 459,731	\$ 459,731	\$ 634,367	\$ 174,636
State Sources	707,025	707,025	686,394	(20,631)
Federal Sources				
Interdistrict Sources				
Total Revenues	<u>1,166,756</u>	<u>1,166,756</u>	<u>1,320,761</u>	<u>154,005</u>
Expenditures				
Trustees	11,765	11,765	11,214	(551)
Supervisor	67,539	67,539	72,648	5,109
Election	32,250	32,250	20,052	(12,198)
General Administrative	502,851	502,851	887,306	384,455
Clerk Department	91,335	91,335	88,708	(2,627)
Treasurer	64,074	64,074	74,865	10,791
Building & Grounds	103,908	103,908	186,498	82,590
Community Development	37,944	37,944	30,530	(7,414)
Inspection	27,173	27,173	30,274	3,101
CDBG Grant	16,873	16,873	-	(16,873)
Senior Center	130,688	130,688	108,359	(22,329)
Total Expenditures	<u>1,086,400</u>	<u>1,086,400</u>	<u>1,510,454</u>	<u>424,054</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>80,356</u>	<u>80,356</u>	<u>(189,693)</u>	<u>270,049</u>
Other Financing Sources (Uses)				
Operating Transfers In				
Operating Transfers Out	<u>(180,000)</u>	<u>(180,000)</u>	<u>(148,956)</u>	<u>(31,044)</u>
Total Other Financing Sources (Used)	<u>(180,000)</u>	<u>(180,000)</u>	<u>(148,956)</u>	<u>(31,044)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(99,644)</u>	<u>(99,644)</u>	<u>(338,649)</u>	<u>239,005</u>
Budgetary Fund Balance Beginning of Year		540,632	540,632	-
Budgetary Fund Balance End of Year	<u>\$ (99,644)</u>	<u>\$ 440,988</u>	<u>\$ 201,983</u>	<u>\$ 239,005</u>

CHARTER TOWNSHIP OF ROYAL OAK
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2005

	Special Revenue Funds							Debt Service		Nonmajor Governmental Funds
								Fund		
	Recreation	Street Lighting	Disposal System	Library	Community Dev-BG	Law Enforc BG	Cops Grant	DDA Fund	Total	
ASSETS										
Cash and Cash Equivalents	\$ 12,145	\$ 1,014	\$ 13,831	\$ 13,927	\$ -	\$ 169	\$ -	\$ 51,804	\$ 92,890	
Taxes Receivable	99,563	28,832	90,100	82,035				94,101	394,631	
Accounts Receivable					26,127			-	26,127	
Due from Other Funds	91,949	87,861	71,788	34,303				31,587	317,488	
Total Assets	\$ 203,657	\$ 117,707	\$ 175,719	\$ 130,265	\$ 26,127	\$ 169	\$ -	\$ 177,492	\$ 831,136	
LIABILITIES AND FUND BALANCE										
LIABILITIES										
Accounts Payables	\$ 346	\$ -	\$ 14,422	\$ 3,387	\$ 1,852	\$ -		\$ 20,367	\$ 40,374	
Note Payable								\$ 90,000	90,000	
Due to Other Funds	10,000		17,753	3,330	24,275				55,358	
Deferred Revenue	99,563	28,832	90,100	82,035				94,101	394,631	
Total Liabilities	109,909	28,832	122,275	88,752	26,127	-	-	204,468	580,363	
FUND BALANCE										
Restricted for Debt Service										
Restricted for Capital Improvements	93,748	88,875	53,444	41,513		169	\$ -	\$ (26,976)	250,773	
Unreserved and Undesignated	93,748	88,875	53,444	41,513	-	169	-	(26,976)	250,773	
Total Fund Balance										
Total Liabilities and Fund Balance	\$ 203,657	\$ 117,707	\$ 175,719	\$ 130,265	\$ 26,127	\$ 169	\$ -	\$ 177,492	\$ 831,136	

CHARTER TOWNSHIP OF ROYAL OAK
COMBINING STATEMENT OF REVENUE AND EXPENDITURES AND CHANGE IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2006

	Special Revenue Funds						Debt Service Fund		Nonmajor Governmental Funds	
	Recreation	Street Lighting	Disposal System	Library	Community Dev-BG	Law Enforce BG	Cops Grant	DDA Fund	Total	
REVENUES										
Local Sources										
Taxes	\$ 95,477	\$ 27,235	\$ 85,108	\$ 80,173	\$ -	\$ -		\$ 82,500	\$ 370,493	
Other Local Sources	19,595	\$ 1,915	\$ 6,344	\$ 10,699				1,736	40,289	
State Sources										
State Aid and Grants				3,934					3,934	
Federal Sources										
Federal Grants					101,178				101,178	
Total Revenues	115,072	29,150	91,452	94,806	101,178	-	-	84,236	515,894	
EXPENDITURES										
Current Operations										
Public Safety					7,500	1,053			8,553	
Public Works		40,627	103,927		14,218				158,772	
Community Development					28,260			222,647	250,907	
Recreation and Culture	83,242			114,682	51,200		28,956		249,124	
Debt Service									28,956	
Total Expenses	83,242	40,627	103,927	114,682	101,178	1,053	28,956	222,647	696,312	
Excess (Deficiency) of Revenues Over Expenditures	31,830	(11,477)	(12,475)	(19,876)	-	(1,053)	(28,956)	(138,411)	(180,418)	
Other Financing Sources (Uses)										
Operating Transfers In							28,956		28,956	
Operating Transfers Out										
Total Other Financing Sources (Used)	-	-	-	-	-	-	28,956	-	28,956	
Net Change in Fund Balances	31,830	(11,477)	(12,475)	(19,876)	-	(1,053)	-	(138,411)	(151,462)	
Fund Balance Beginning of Year	61,918	100,352	65,919	61,389		1,222	-	111,435	402,235	
Fund Balance End of Year	\$ 93,748	\$ 88,875	\$ 53,444	\$ 41,513	\$ -	\$ 169	\$ -	\$ (26,976)	\$ 250,773	

CHARTER TOWNSHIP OF ROYAL OAK
GENERAL FUND STATEMENT OF REVENUES
OPERATING BUDGET AND ACTUAL
For the Year Ended December 31, 2006

	Budget	Actual	Favorable (Unfavorable)
TAXES			
Current Taxes	\$ 179,832	\$ 147,200	(32,632)
Payment In Lieu of Taxes	6,409	6,760	351
Administration Fee - Tax	35,000	30,070	(4,930)
	221,241	184,030	(37,211)
GENERAL OPERATIONS			
Cable TV Fee	22,500	19,633	(2,867)
Business License	5,000	4,384	(616)
Fines and Forfeits	-	12,226	12,226
Rental Registration	-	-	-
Interest Income	-	29,936	29,936
Rental Income	4,500	2,800	(1,700)
Oakland County	-	-	-
CDBG Funds	-	-	-
DDA Commitment	-	-	-
Land Sales	75,000	110,627	35,627
Other Revenues	16,874	60,114	43,240
Other Revenues Escrow	-	-	-
Miscellaneous - Deposit/Refund	-	66,986	66,986
Dog License	100	36	(64)
	123,974	306,742	182,768
BUILDING			
Registration/Contractor License	2,000	-	(2,000)
Plumbing Permits	2,500	3,458	958
Electrical Permits	7,500	7,414	(86)
Building Permits	10,000	35,166	25,166
Mechanical Permits	9,500	2,105	(7,395)
Annual Inspection Fees	5,250	60	(5,190)
Rental Inspection Fees	750	-	(750)
Landlord Inspection Fees	750	6,870	6,120
Planning Commission Fees	-	1,401	1,401
Zoning Board Fee	150	120	(30)
Site Plan Review Fee	5,000	6,660	1,660
Four In One - Inspection	400	232	(168)
	\$ 43,800	\$ 63,486	\$ 19,686

**CHARTER TOWNSHIP OF ROYAL OAK
GENERAL FUND STATEMENT OF REVENUES
OPERATING BUDGET AND ACTUAL
For the Year Ended December 31, 2005**

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
SENIOR CENTER	<u>\$ 70,716</u>	<u>\$ 80,109</u>	<u>\$ 9,393</u>
STATE SHARED			
State Rev. Sh- Sales Tax	374,423	394,482	20,059
State Rev. Sh- Income Tax	<u>332,602</u>	<u>291,912</u>	<u>(40,690)</u>
Total State Shared Revenue	<u>707,025</u>	<u>686,394</u>	<u>(20,631)</u>
TRANSFERS	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenue	<u>\$ 1,166,756</u>	<u>\$ 1,320,761</u>	<u>\$ 154,005</u>

CHARTER TOWNSHIP OF ROYAL OAK
GENERAL FUND STATEMENT OF EXPENDITURES
OPERATING BUDGET AND ACTUAL
For the Year Ended December 31, 2006

	Budget	Actual	Favorable (Unfavorable)
TRUSTEES			
Per Diem - Township Board	\$ 10,000	\$ 10,300	\$ (300)
Payroll Taxes	765	788	(23)
Conferences	-	-	-
Membership Dues	1,000	126	874
	11,765	11,214	551
 SUPERVISOR			
Salary - Supervisor	20,000	20,000	-
Deputy Supervisor	8,080	8,080	-
Clerical	23,419	24,632	(1,213)
Payroll Taxes	3,940	4,033	(93)
Hospitalization	7,500	8,241	(741)
Employee Insurance		917	(917)
Planning Commission Fees	2,100	625	1,475
Conferences	500	42	458
Operating Supplies		2,592	(2,592)
Office Supplies	500	1,144	(644)
Membership Dues	1,500	2,342	(842)
	67,539	72,648	(5,109)
 ELECTION			
Per-Diem Election	\$ 4,500	\$ 12,891	(8,391)
Overtime	500		500
Payroll Taxes	150	162	(12)
Insurance		1	(1)
Operating Supplies	2,500	2,902	(402)
Printing and Publishing	2,000	2,230	(230)
Conferences		51	(51)
Membership Dues	100	81	19
Transportation	500	-	500
Computer Expense	21,000	1,734	19,266
Professional & Contract Service	1,000	-	1,000
	32,250	20,052	12,198

CHARTER TOWNSHIP OF ROYAL OAK
GENERAL FUND STATEMENT OF EXPENDITURES
OPERATING BUDGET AND ACTUAL
For the Year Ended December 31, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
GENERAL ADMINISTRATIVE			
Employee Insurance	-		-
Retirees Insurance	95,519	110,231	(14,712)
Life Insurance	1,800	1,028	772
Other Fringe Benefits	4,200	5,134	(934)
Worker's Compensation	21,770	4,470	17,300
Annexation Expense ³	-	39,371	(39,371)
Conferences	-		-
Office Supplies and Expense	12,500	8,140	4,360
Operating Supplies and Expense	75,000	67,733	7,267
News Letter Publication	3,510	498	3,012
Postage	5,000	8,536	(3,536)
Pest Control			-
Contractual Services		295	(295)
Cable	22,500	663	21,837
Telephone	33,000	41,103	(8,103)
Printing and Publishing	3,500	6,037	(2,537)
Insurance and Bonds	54,426	38,113	16,313
Electricity	10,000	17,553	(7,553)
Heating	12,000	24,778	(12,778)
Water Charges		11,937	(11,937)
Repairs and Maintenance	5,000	50,657	(45,657)
Miscellaneous	1,250	112,232	(110,982)
Membership Dues	-	3,365	(3,365)
Medical Exams	-	164	(164)
Security Service	-	23,553	(23,553)
Computer Expense	7,500	6,411	1,089
Training/Education	1,000	853	147
Tax Refunds	-	105,359	(105,359)
Capital Outlay	-		-
Drain Debt	16,000		16,000
Oak Park Settlement	-		-
	<u>\$ 385,475</u>	<u>\$ 688,215</u>	<u>\$ (302,740)</u>

GENERAL ADMINISTRATIVE

ATTORNEY FEES

Contractual Services	1,875	4,222	(2,347)
Financial Analyst	18,000	21,525	(3,525)
Attorney Fees	45,000	38,054	6,946
Attorney Fees - Court	10,000	12,549	(2,549)
Other Attorney Fees	40,000	119,591	(79,591)
Audit	2,501	3,150	(649)
Assessing Fees			-
	<u>\$ 117,376</u>	<u>\$ 199,091</u>	<u>\$ (81,715)</u>

CHARTER TOWNSHIP OF ROYAL OAK
GENERAL FUND STATEMENT OF EXPENDITURES
OPERATING BUDGET AND ACTUAL
For the Year Ended December 31, 2006

	Budget	Actual	Favorable (Unfavorable)
CLERK DEPARTMENT			
Salary - Clerk	\$ 8,000	\$ 8,000	\$ -
Salary - Deputy Clerk	25,662	16,573	9,089
Admin/Bookkeeper	29,120	34,105	(4,985)
Salaries - Overtime	500	-	500
Payroll Taxes	4,803	4,361	442
Hospitalization	20,000	23,319	(3,319)
Employee Insurance	1,950	1,237	713
Office Supplies	-	276	(276)
Operating Supplies and Expen	-	570	(570)
Conferences	1,000	51	949
Membership Dues	300	216	84
	91,335	88,708	2,627
TREASURER			
Salary - Treasurer	14,000	14,000	-
Salary - Deputy Treasurer	26,540	27,639	(1,099)
Payroll Taxes	3,101	3,114	(13)
Hospitalization	18,650	26,827	(8,177)
Employee Insurance	1,583	1,055	528
Office Supplies	200	988	(788)
Operating Supplies and Expen	-	1,242	(1,242)
Membership Dues	-	-	-
	64,074	74,865	(10,791)
BUILDING & GROUNDS			
Salary	49,896	56,397	(6,501)
Salary Part Time	3,250	8,330	(5,080)
Overtime	500	-	500
Payroll Taxes	4,104	4,952	(848)
Hospitalization	18,500	27,577	(9,077)
Other Fringe Benefits	2,000	2,315	(315)
Employee Insurance	2,658	2,481	177
Operating Supplies and Expen	5,000	5,118	(118)
Gasoline	1,000	10,849	(9,849)
Repairs and Maintenance	1,000	7,131	(6,131)
Equipment Maintenance	4,000	7,932	(3,932)
Rental Alarm	-	-	-
Equipment	12,000	53,416	(41,416)
	\$ 103,908	\$ 186,498	\$ (82,590)

CHARTER TOWNSHIP OF ROYAL OAK
GENERAL FUND STATEMENT OF EXPENDITURES
OPERATING BUDGET AND ACTUAL
For the Year Ended December 31, 2006

	Budget	Actual	Favorable (Unfavorable)
COMMUNITY DEVELOPMENT			
Code Enforcement Officer	35,000	27,088	7,912
Payroll Taxes	2,944	1,986	958
Unemployment Compensation	-	580	(580)
Hospitalization	-	-	-
Employee Insurance	-	-	-
Electricity	-	-	-
Heating	-	-	-
Beautification	-	-	-
Contractual Services/Legal	-	-	-
Office Supplies	-	192	-
Membership Dues	-	-	-
Maintenance Renovations	-	684	(684)
Water Charges	-	-	-
TOTAL ADDED NEEDS	37,944	30,530	7,606
INSPECTION			
Inspection	25,673	29,262	(3,589)
Operating Supplies and Expense	500	887	(387)
Membership Dues	500	125	375
Miscellaneous Expense	500	-	500
TOTAL INSTRUCTIONAL SERVICES	27,173	30,274	(3,101)
CDBG GRANT			
Planning	-	-	-
Parks	5,624	-	5,624
Tree Planting	5,624	-	5,624
Condemnation/Demolition	-	-	-
Code Enforcement	-	-	-
Public Safety Transportation	5,625	-	5,625
Public Service	-	-	-
TOTAL SUPPORTING SERVICES	16,873	-	11,249
SENIOR CENTER	130,688	108,359	22,329
TRANSFERS	180,000	148,956	31,044
TOTAL EXPENDITURES	\$ 1,266,400	\$ 1,659,410	\$ (398,442)

CHARTER TOWNSHIP OF ROYAL OAK
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
December 31, 2006

	Police	Fire	Recreation	Street Lighting	Disposal System	Library	Community Development		Law Enforcement		Combined Total
							Block Grant		Block Grant		
ASSETS											
Cash	\$ 10,648	\$ 7,936	\$ 12,145	\$ 1,014	\$ 13,831	\$ 13,927	\$ -	\$ -	\$ 169	\$ -	\$ 59,670
Taxes Receivable	504,560	432,480	99,563	28,832	90,100	82,035					1,237,570
Accounts Receivable	2,589						26,127				28,716
Prepaid Expenses		31,500									31,500
Due from Other Funds	147,847	137,761	91,949	87,861	71,788	34,303					571,509
TOTAL ASSETS	\$ 665,644	609,677	203,657	117,707	175,719	130,265	26,127		169		1,928,965

LIABILITIES AND FUND EQUITY

LIABILITIES											
Accounts Payable	\$ -	\$ -	\$ 346	\$ -	\$ 14,422	\$ 3,387	\$ 1,852	\$ -	\$ -	\$ -	\$ 20,007
Due to Other Funds	69,456		10,000		17,753	3,330	24,275				124,814
Deferred Revenues	504,560	432,480	99,563	28,832	90,100	82,035					1,237,570
TOTAL LIABILITIES	574,016	432,480	109,909	28,832	122,275	88,752	26,127		-		1,382,391
FUND EQUITY											
Fund Balances	91,628	177,197	93,748	88,875	53,444	41,513	-		169		546,574
TOTAL LIABILITIES AND FUND EQUITY	\$ 665,644	\$ 609,677	\$ 203,657	\$ 117,707	\$ 175,719	\$ 130,265	\$ 26,127	\$ -	169	\$ -	\$ 1,928,965

CHARTER TOWNSHIP OF ROYAL OAK
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
December 31, 2006

	Police	Fire	Recreation	Street Lighting	Disposal System	Library	Community Development Block Grant	Law Enforcement Block Grant	Combined Total
REVENUES									
Local Sources									
Taxes	\$ 476,605	\$ 408,519	\$ 95,477	\$ 27,235	\$ 85,108	\$ 80,173	\$ -	\$ -	\$ 1,173,117
Other Local Sources	54,601	34,239	19,595	1,915	6,344	10,699			127,393
State Sources						3,934			3,934
State Aid and Grants									
Federal Sources							101,178		101,178
Federal Grants							101,178	-	1,405,622
TOTAL REVENUES	531,206	442,758	115,072	29,150	91,452	94,806	101,178	-	1,405,622
EXPENDITURES									
Public Safety	597,108	415,277					7,500	1,053	1,020,938
Public Works				40,627	103,927		42,478		187,032
Recreation and Culture			83,242			114,682	51,200		249,124
TOTAL EXPENDITURES	597,108	415,277	83,242	40,627	103,927	114,682	101,178	1,053	1,457,094
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(65,902)	27,481	31,830	(11,477)	(12,475)	(19,876)	-	(1,053)	(51,472)
Other Financing Sources									
Interfund Transfers	120,000								120,000
Fund Balance, January 1, 2006	37,530	149,716	61,918	100,352	65,919	61,389		1,222	478,046
Fund Balance, December 31, 2006	\$ 91,628	\$ 177,197	\$ 93,748	\$ 88,875	\$ 53,444	\$ 41,513	\$ -	\$ 169	\$ 546,574

CHARTER TOWNSHIP OF ROYAL OAK
COMBINED STATEMENT OF REVENUES AND EXPENDITURES - BUDGET
AND ACTUAL - SPECIAL REVENUE FUNDS
For the Year Ended December 31, 2006

	Special Revenue Funds		
	Budget	Actual	Favorable (Unfavorable)
REVENUES			
Local Sources			
Taxes	\$ 1,197,161	\$ 1,173,117	\$ (24,044)
Other Local Sources	54,500	127,393	72,893
State Sources			
State Aid and Grants	4,700	3,934	(766)
Federal Sources		101,178	101,178
TOTAL REVENUES	1,256,361	1,405,622	149,261
EXPENDITURES			
Public Safety	1,020,002	1,020,938	(936)
Public Works	117,359	187,032	(69,673)
Recreation and Culture	217,420	249,124	(31,704)
TOTAL EXPENDITURES	1,354,781	1,457,094	(102,313)
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(98,420)	(51,472)	46,948
OTHER FINANCING SOURCES (USES)			
Operating Transfers In	132,000	120,000	(12,000)
Operating Transfers Out			-
TOTAL OTHER FINANCING SOURCES (USES)	132,000	120,000	(12,000)
EXCESS (DEFICIT) REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ 33,580	\$ 68,528	\$ 34,948

CHARTER TOWNSHIP OF ROYAL OAK
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
December 31, 2006

	COPS Grant	Jacoboni	Total
ASSETS			
Cash	\$ -	\$ -	\$ -
Due from Police Fund	\$ -	\$ 4,786	\$ 4,786
Taxes Receivable		123,337	123,337
TOTAL ASSETS	\$ -	\$ 128,123	\$ 128,123
LIABILITIES AND FUND EQUITY			
LIABILITIES			
Accounts Payable	\$ -	\$ -	\$ -
Due to Other Funds	-	-	-
Deferred Revenues		123,337	123,337
FUND EQUITY	-	4,786	4,786
TOTAL LIABILITIES AND FUND EQUITY	\$ -	\$ 128,123	\$ 128,123

CHARTER TOWNSHIP OF ROYAL OAK
DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2006

	COPS Grant	Jacoboni	Total
REVENUES			
Property Tax Levy	\$ -	\$ 130,833	\$ 130,833
Interest			-
Other		4,786	4,786
TOTAL REVENUES	-	135,619	135,619
EXPENDITURES			
Principal Payments	27,303	130,833	158,136
Interest	1,647		1,647
Fees and other	6	-	6
TOTAL EXPENDITURES	28,956	130,833	159,789
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(28,956)	4,786	(24,170)
OTHER FINANCING SOURCES (USES)			
Transfers In/Out	28,956		28,956
TOTAL OTHER FINANCING SOURCES	28,956	-	28,956
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES AND OTHER SOURCES (USES)	-	4,786	4,786
FUND BALANCES, January 1, 2006	-		-
FUND BALANCES, December 31, 2006	\$ -	\$ 4,786	\$ 4,786

CHARTER TOWNSHIP OF ROYAL OAK
COMBINED STATEMENT OF REVENUES AND EXPENDITURES - BUDGET
AND ACTUAL - DEBT SERVICE FUNDS
For the Year Ended December 31, 2006

	Debt Retirement Funds		
	Budget	Actual	Favorable (Unfavorable)
REVENUES			
Local sources			
Taxes	\$ -	\$ 130,833	\$ 130,833
Other local sources		4,786	4,786
State sources			
State aid, unrestricted			
Restricted grants			
Federal sources			
TOTAL REVENUES	<u>-</u>	<u>135,619</u>	<u>135,619</u>
EXPENDITURES			
Principal payment		158,136	(158,136)
Interest and other		1,647	(1,647)
Payment of escrow agent			
Other payments		6	(6)
TOTAL EXPENDITURES	<u>-</u>	<u>159,789</u>	<u>(159,789)</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>(24,170)</u>	<u>(24,170)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from state loan			
Operating transfers in/out		28,956	28,956
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>28,956</u>	<u>28,956</u>
EXCESS (DEFICIT) REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ -</u>	<u>\$ 4,786</u>	<u>\$ 4,786</u>

CHARTER TOWNSHIP OF ROYAL OAK
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
For the Year Ended December 31, 2006

	Balance Jan 1, 2006	Additions	Deductions	Balance Dec. 31, 2006
TRUST AND AGENCY				
ASSETS				
Cash	\$ 195,232	\$ 241,786	\$ 265,232	\$ 171,786
Due From Other Funds	0	0		\$ -
Total Assets	\$ 195,232	\$ 241,786	\$ 265,232	\$ 171,786
LIABILITIES				
Escrow Deposits	\$ -	\$ -	\$ -	\$ -
Due to Other Governmental Uni	-			-
Due to Other Funds	174,103	265,127	241,786	150,762
Trust Account	20,919	105	0	21,024
Total Liabilities	\$ 195,022	\$ 265,232	\$ 241,786	\$ 171,786
PAYROLL				
ASSETS				
Cash	\$ (2,992)	\$ 545,512	\$ 542,352	\$ 168
Due From Other Funds	2,992		2,992	-
Total Assets	\$ -	\$ 545,512	\$ 545,344	\$ 168
LIABILITIES				
Due to Other Funds	\$ -	\$ 545,344	\$ 545,512	\$ 168
Other Liabilities	-			
Total Liabilities	\$ -	\$ 545,344	\$ 545,512	\$ 168

CHARTER TOWNSHIP OF ROYAL OAK
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
For the Year Ended December 31, 2006

	Balance Jan. 1, 2006	Additions	Deductions	Balance Dec. 31, 2005
TAX COLLECTION				
ASSETS				
Cash	\$ 32,236	\$ 3,095,405	\$ 3,123,858	\$ 3,783
Due From Other Funds	0	114,953	0	114,953
Total Assets	\$ 32,236	\$ 3,210,358	\$ 3,123,858	\$ 118,736
LIABILITIES				
Due to Other Funds	\$ -	\$ 114,953	0	\$ 114,953
Undistributed Tax Collections	32,236	3,095,405	3,123,858	\$ 3,783
Total Liabilities	\$ 32,236	\$ 3,210,358	\$ 3,123,858	\$ 118,736
COMBINED AGENCY FUNDS				
ASSETS				
Cash	\$ 224,476	\$ 3,882,703	\$ 3,931,442	\$ 175,737
Due From Other Funds	\$ 2,992	\$ 114,953	\$ 2,992	\$ 114,953
Total Assets	\$ 227,468	\$ 3,997,656	\$ 3,934,434	\$ 290,690
LIABILITIES				
Escrow Deposits	\$ -	\$ -	\$ -	\$ -
Due to Other Governmental Units	-	-	-	\$ -
Due to Other Funds	174,103	925,424	787,298	265,883
Trust Account	20,919	105	-	21,024
Undistributed Tax Collections	32,236	3,095,405	3,123,858	3,783
Total Liabilities	\$ 227,258	\$ 4,020,934	\$ 3,911,156	\$ 290,690

RC JONES & CO.
CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL CORPORATION

20500 Eureka, Suite 101
Taylor, Michigan 48180
(734) 284-9779
Fax: (734) 284-2237

June 30, 2007

Charter Township of Royal Oak
21131 Garden Lane
Ferndale, MI 48220

Dear Supervisor and Trustees:

In planning and performing our audit of the financial statements of the Charter Township of Royal Oak for the year ended December 31, 2006, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control. However, we noted certain matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect the organization's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

Debt Service- Several debt service funds were established to help maintain ledgers and have revenues and expenses posted properly. However, these funds were not used during the audited year. We strongly recommend that debt service transactions be posted in the proper fund and that the township adopt a budget for the Debt Service funds.

Block Grant Funds-- Several Block Grant funds were established to help maintain ledgers and have revenues and expenses posted properly. However, these funds were not used during the audited year. We strongly recommend that Block Grant transactions be posted in the proper fund and that the township adopt a budget for the Block Grant Funds.

The tax revenue is recorded as received and the tax levies are not recorded. Proper accounting for taxes is to record the tax levies. We recommend that the tax levies are recorded and the final payment from the County is balanced out.

On our initial review of the trial balances, there were several accounts that were obviously incorrect such as the large debit balance in accounts payable. We strongly recommend that transactions be reviewed monthly after cash is reconciled in order to promptly correct posting errors.

This report is intended solely for the information and use of the Charter Township of Royal Oak, its Board of Trustees, Supervisor and others within the Township and is not intended to be and should not be used by anyone other than these specified parties.

If you have any further questions regarding these comments and recommendations, please feel free to contact us.

Sincerely,

A handwritten signature in black ink that reads "R C Jones & Co". The signature is written in a cursive, flowing style.

RC JONES & CO.